

January __, 2019

David Nicely, Regional President of Division I Tennessee Operations
CHSPSC, LLC
4000 Meridian Blvd.
Franklin, TN 37067

Re: Proposed Acquisition of Physician Regional Medical Center Property located in
Knoxville, Tennessee and PILOT Leases for Property located on Middlebrook Pike in
Knoxville, Tennessee

Dear David:

This non-binding letter of intent ("Letter of Intent") will serve as a statement of our mutual intent with respect to a proposed transaction (the "Transaction") whereby the City of Knoxville (the "City") would agree to purchase from Metro Knoxville HMA, LLC or other affiliated entities of CHSPSC, LLC (collectively, "Seller"), Seller's existing medical campus known as the Physicians Regional Medical Center located at 900 E. Oak Hill Avenue in Knoxville, Tennessee (as more particularly described herein, the "Property").

1. Form and Terms of Transaction.

The proposed terms of the Transaction are as described on the Term Sheet attached as Exhibit A to this Letter of Intent. The Term Sheet is incorporated as part of this Letter of Intent.

2. Public Announcement.

The parties hereto acknowledge that they do not intend to issue any press release or make any public announcement of or relating to the Transaction without first obtaining the approval of the other party to this Letter of Intent.

3. Expenses.

The parties hereto acknowledge that they shall each pay their own fees and expenses and those of their agents, advisers, attorneys and accountants with respect to the negotiation of this Letter of Intent and the proposed Transaction.

4. Non-Binding.

This Letter of Intent is intended to be, and shall be construed only as, a non-binding letter of intent summarizing and evidencing the discussions between the City and Seller to the date hereof. Any legally binding obligation of the parties with respect to the Transaction shall exist only upon the execution and delivery of definitive agreements, into which this Letter of Intent and all prior discussions shall merge. Please note that the Transaction will require the approval of the City Council of the City, and the City acknowledges that the Transaction will require certain approvals of Seller's governing body and affiliates.

It is expressly understood that this Letter of Intent is not a contract to execute any definitive agreement or otherwise to consummate the Transaction. The parties will cooperate in negotiating definitive agreements providing for the transactions contemplated by this Letter of Intent, but each party reserves the right to withdraw from negotiations at any time as well as the right of final approval or disapproval, for any reason, of the documentation relating to the Transaction.

Please acknowledge that the terms and conditions set forth in this Letter of Intent set forth the essential terms and conditions to serve as the basis for further negotiations relating to the Transaction.

Sincerely,

CITY OF KNOXVILLE, TENNESSEE

By: _____

Title: _____

Acknowledged this
_____ day of _____, 2019.

ON BEHALF OF SELLER:

CHSPSC, LLC

By: _____
David Nicely

Title: Regional President of Division I Operations in the State of Tennessee

Exhibit A

Term Sheet

- I. Acquisition of Property
 - A. The City will purchase, and Seller will sell, the real property and improvements located within the area as depicted on the map attached hereto as Exhibit A (the "Property"), the boundaries of such Property being highlighted on Exhibit A in red.
 - B. The City will acquire and accept such Property, AS IS, WHERE IS, without representations or warranties, excepting limited warranties of title and any representations as may be contained in the purchase and sale agreement relating to the authorization of Seller to sell and convey the Property.
 - C. Seller shall retain ownership of certain property that is adjacent to the Property, the boundaries of which retained property being highlighted on Exhibit A in yellow.
 - D. The purchase price for the Property shall be one dollar (\$1).
 - E. Each party shall be responsible for the costs incurred by it in connection with the Transaction. Upon request of the City, Seller shall initially pay the costs of a title commitment and survey of the Property, and in such case, the City shall reimburse Seller for the costs thereof at Closing or upon earlier termination of the contemplated agreement of purchase and sale.
- II. Conditions to Closing
 - A. As a condition to closing, the City shall be permitted to conduct typical due diligence relating to the Property, including environmental assessments, structural assessments, title examinations and similar items. To assist in such diligence, Seller shall promptly provide to the City all assessments, title reports, title insurance policies, studies and reports within its possession or control relating to the Property. The period for conducting due diligence shall be 60 days after the date of execution of the contemplated agreement of purchase and sale, and the closing is intended to occur within 30 days thereafter or as otherwise agreed upon by the parties. Possession of the Property shall be granted to the City at Closing. The parties acknowledge that a portion of the Property is currently owned, leased or occupied by third-parties, and prior to Seller entering into the agreements contemplated for the Transaction, Seller shall have obtained fee simple ownership to the Property and all possessory rights therein upon terms and conditions acceptable to it.
 - B. As a condition to closing, the City and Seller shall have entered into a management agreement pertaining to the management and maintenance of all buildings and other improvements on the Property within the area the boundaries of which are highlighted in red on Exhibit B attached. The term of the management agreement shall be for a period of one year from the closing of the purchase of the Property by the City. The management agreement shall provide that the City may terminate the management agreement relating to any structures or other improvements covered by the management agreement and, at the City's option, for the demolition of any such improvements. The management agreement shall contain such other terms and conditions as the parties shall agree upon prior to execution of the contemplated agreement of purchase and sale.
 - C. As a condition to closing, the City shall have delegated to The Industrial Development Board of the City of Knoxville, Tennessee (the "IDB") the authority to negotiate two (2) PILOT Leases (the

“PILOT Leases”) relating to payments in lieu of taxes with respect to two (2) parcels to be selected and subdivided by Seller from the property presently owned by Seller located on Middlebrook Pike in Knoxville, Tennessee, which property is generally shown on Exhibit C attached hereto (the “Middlebrook Property”). The parties acknowledge that the parcels have not been subdivided, and prior to the execution of each PILOT Lease, Seller shall cause the subdivision of such parcels from the Middlebrook Property. The City agrees to assist and cooperate, at no expense to it, with the efforts of Seller to subdivide the Middlebrook Property. Seller shall retain the right in each PILOT Lease, during the Construction Period (as defined below) to make such changes to the boundaries of such parcels as may be deemed necessary to facilitate the development of the parcels as described herein and in the terms of the PILOT Leases to be approved by the City. Seller has informed the City that Seller intends to cause the construction of health care facilities on such parcels, some of which will provide for services presently provided on the Property, and Seller will agree in each PILOT Lease to cause the construction of health care facilities on the applicable parcel within three (3) years after the execution of the PILOT Agreement. Each PILOT Lease shall provide that Seller shall make payments in lieu of taxes for the term of the PILOT Lease with respect to the property that is the subject of the PILOT Lease in any tax year of an amount equal to the taxes presently being paid to the City and Knox County (the “County”) for tax year 2018 based upon an amount of the 2018 taxes to be agreed upon by the parties as is reasonably allocable to the parcels subject to the PILOT Lease as if such parcel had been separately subdivided in 2018. The term of each PILOT Lease shall not exceed 15 years plus a construction period (the “Construction Period”) of the lesser of three (3) years or the actual period of construction. Seller shall agree in each PILOT Lease that no portion of the property that is the subject of the PILOT Lease shall be used for retail purposes without first receiving the proper consent of the City. Under the PILOT Leases, the aggregate amount that Seller shall be entitled to receive as an effective reduction in ad valorem real property taxes with respect to all property subject to the PILOT Leases shall be \$16,000,000, to be allocated between the PILOT Leases by Seller as reasonably acceptable to the City. If Seller has received the maximum aggregate benefit of such an effective reduction in real property taxes under the PILOT Leases prior to the expiration thereof, Seller shall thereafter make payments in lieu of taxes to the City and the County in amounts equal to the real property taxes that otherwise would have been payable with respect to the property that is the subject of the PILOT Agreement. The parties acknowledge that the plans and costs for the development and construction of improvements upon each parcel will likely not be completed at the time of execution of each PILOT Lease, and in such event, the applicable PILOT Lease shall provide for amendment thereof to effectuate the terms of this Agreement and to comply, to the extent necessary, with applicable laws. Seller shall be permitted to assign each PILOT Lease in whole or in part to affiliates of Seller, a turn-key developer or any other entities that have an interest in the property that is the subject of the PILOT Lease (the “Assignees”) so that such parties may receive the benefit of the PILOT Lease provided that if the assignment is to an unrelated party, Seller shall demonstrate to the satisfaction of the City that Seller will initially have an active involvement in the operation of the property either through a lease, a management contract, ownership interest or other comparable arrangement. The form of the PILOT Leases shall be an exhibit to the definitive purchase and sale agreement pursuant to which the City agrees to purchase the Property from Seller, and the approval and authorization of each PILOT Lease by the IDB and execution of each PILOT Lease, in such form with such revisions as are acceptable to Seller and the City, shall be a condition of the closing of the Property.

Physicians Regional Medical Center – 900 E Oak Hill Ave
Exhibit A



**Physicians Regional Medical Center – 900 E Oak Hill Ave
Exhibit B**



**Middlebrook Land -
Tennova Exhibit C**



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